

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 USIA-06 AID-05 EB-08 NSC-05  
SS-15 STR-07 OMB-01 CEA-01 CIAE-00 COME-00 FRB-03  
INR-10 NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01 /086 W  
-----073859 010941Z /21

R 311940Z MAR 78  
FM AMEMBASSY BONN  
TO SECSTATE WASHDC 7239  
DEPARTMENT TREASURY  
INFO AMEMBASSY LONDON  
AMEMBASSY PARIS  
AMEMBASSY ROME  
AMEMBASSY BRUSSELS

C O N F I D E N T I A L SECTION 01 OF 02 BONN 05874

USEEC AND USOECD  
DEPARTMENT PASS FRB AND CEA

E.O. 11652: GDS  
TAGS: ECON, EFIN, GW  
SUBJECT: REVISION OF EMBASSY PROJECTION FOR 1978  
CURRENT ACCOUNT BALANCE

1. ACCORDING TO REVISED BUNDESBANK DATA IN THE FIRST  
TWO MONTHS OF 1977 AND 1978 THE FRG CURRENT ACCOUNT  
DEVELOPED AS FOLLOWS:

### JANUARY/FEBRUARY

-----  
1977 1978 PCT. CHANGE  
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(DM BIL.)

EXPORTS FOB	40.8	42.7	4.7
IMPORTS CIF	36.1	38.2	5.8

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TRADE ACCOUNT	4.7	4.5
TRADE SUPPLEMENTS	-0.5	0.2
SERVICES	-1.0	-0.3
TRANSFERS	-3.1	-4.2
-----	-----	
CURRENT ACCOUNT	0.1	0.2

2. IN VIEW OF DEVELOPMENTS IN JANUARY AND FEBRUARY AND DUE TO THE SOMEWHAT MORE PESSIMISTIC OUTLOOK FOR GERMAN EXPORT MARKETS WE ARE REVISING OUR FORECAST OF THE 1978 CURRENT ACCOUNT OF THE FRG. EXPORTS ARE NOW ESTIMATED TO INCREASE IN 1978 BY 5.0 PERCENT AND IMPORTS BY 6.0 PERCENT. THIS PRODUCES A TRADE SURPLUS OF DM 38.0 BILLION COMPARED TO THE PREVIOUS FORECAST OF DM 39.3 BILLION.

3. DETAILED FIGURES ON SERVICE AND TRANSFER PAYMENTS FOR FEBRUARY ARE NOT YET AVAILABLE, HOWEVER IT APPEARS THAT THE DECLINE OF DM 700 MILLION IN THE SERVICES DEFICIT FROM JANUARY/FEBRUARY 1977 TO JANUARY/FEBRUARY 1978 IN LARGE PART REFLECTS LOWER PROFIT TRANSFERS OF GERMAN AFFILIATES AND OF FOREIGN FIRMS TO THEIR PARENTS.

(DURING THE FIRST THREE QUARTERS OF 1977 WE SAW SUBSTANTIALLY INCREASED PROFIT TRANSFERS DUE TO THE HIGHER RATE OF TAXATION ON DISTRIBUTED PROFITS RESULTING FROM THE GERMAN CORPORATE TAX REFORM EFFECTIVE JANUARY 1977). IN THE COURSE OF 1978 SUCH  
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TRANSFERS ARE ASSUMED TO RETURN TO NORMAL LEVELS.

ANOTHER FACTOR REDUCING THE SERVICES DEFICIT APPEARS TO BE A FURTHER INCREASE IN FRG INCOME ON INVESTMENT ABROAD DUE TO RECENT SUBSTANTIAL GERMAN LONG-TERM CAPITAL EXPORTS.

THE MAJOR ITEM WHICH WE EXPECT WILL OFFSET TO SOME DEGREE THE TREND TOWARDS A SMALLER DEFICIT BROUGHT ON BY THE ABOVE-MENTIONED FACTORS, I.E., HIGHER GERMAN TOURIST EXPENDITURES ABROAD, WILL AFFECT THE CURRENT ACCOUNT BALANCE SIGNIFICANTLY ONLY DURING THE SUMMER VACATION SEASON. IN VIEW OF THE ABOVE CONSIDERATIONS WE HAVE, HOWEVER, REVISED THE PROJECTED SERVICES DEFICIT DOWNWARD FROM OUR PREVIOUS FORECAST BY DM 1.0

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C O N F I D E N T I A L SECTION 02 OF 02 BONN 05874

USEEC AND USOECD

BILLION TO DM 11.3 BILLION.

4. PROJECTIONS FOR THE TRANSFERS DEFICIT ARE LEFT  
UNCHANGED AT DM 18.4 BILLION. TRANSFERS IN THE FIRST  
TWO MONTHS OF 1978 WERE CONSIDERABLY HIGHER THAN THE  
FIRST TWO MONTHS OF 1977. HOWEVER, THIS IS PROBABLY DUE  
TO HIGH FRG PAYMENTS TO THE EEC WHICH  
SHOULD IN THE COMING MONTHS BE FOLLOWED BY LOWER PAYMENTS.

5. THE REVISED EMBASSY PROJECTION FOR THE FRG'S 1978  
CURRENT ACCOUNT FOLLOWS:

EMBASSY PROJECTION OF 1978 FRG  
CURRENT ACCOUNT

OLD PROJECTION	NEW PROJECTION
PCT.	PCT.

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CHANGE	CHANGE
DM BILL. OVER 1977	DM BILL. OVER 1977

EXPORTS

F.O.B.	290.7	6.3	287.2	5.0
IMPORTS				
C.I.F.	251.6	7.0	249.2	6.0
-----				
TRADE				
ACCOUNT	39.1		38.0	
SERVICES 1/	-12.3		-11.3	
TRANSFERS	-18.4		-18.4	
CURRENT	-----		-----	
ACCOUNT	8.4		8.3	
-----				

1/ INCLUDING TRADE SUPPLEMENTS.  
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## Message Attributes

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**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ACCOUNTS, ECONOMIC REPORTS  
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**Copy:** SINGLE  
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**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
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**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Expiration:**  
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**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 3276738  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** REVISION OF EMBASSY PROJECTION FOR 1978 CURRENT ACCOUNT BALANCE  
**TAGS:** ECON, EFIN, GE  
**To:** STATE TRSY  
**Type:** TE  
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**Review Markings:**  
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